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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REPORT OF THE SECOND NEGOTIATING MEETING ON THE DRAFT TRANSIT TRAFFIC FRAMEWORK AGREEMENT BETWEEN THE PEOPLE'S REPUBLIC OF CHINA, MONGOLIA AND THE RUSSIAN FEDERATION

Tianjin, China, 16-18 January 2001

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INTRODUCTION

1. In its resolution 50/97 of 20 December 1995, the United Nations General Assembly requested the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), in collaboration with the donor countries and institutions, in particular the United Nations Development Programme (UNDP), the regional commissions and relevant subregional institutions, to organize specific consultative groups to identify priority areas for action at the national and subregional levels and draw up action programmes.

2. The first subregional consultative meeting of countries of North-East Asia on transit transport cooperation was held in Ulaanbaatar, Mongolia, from 20 to 22 May 1997. It adopted the Ulaanbaatar Memorandum of Understanding, which was welcomed by the General Assembly in its resolution 52/183 of 18 December 1997.

3. The Ulaanbaatar Memorandum of Understanding requested UNDP, UNCTAD and the Economic and Social Commission for Asia and the Pacific to prepare a draft subregional agreement for consideration by the Governments of the People's Republic of China, Mongolia and the Russian Federation.

4. The first negotiating meeting to consider such a draft was held from 15 to 17 May 2000 in Ulaanbaatar, Mongolia. The second negotiating meeting was held from 16 to 18 January 2001 in Tianjin, China.

5. The main document before the second meeting was document UNCTAD/LDC/Misc.47/Add.1, containing the revised draft Transit Traffic Framework Agreement between the Governments of the People's Republic of China, Mongolia and the Russian Federation. The meeting also had before it a number of background documents (for the full list of documents see annex II).

I. OPENING STATEMENTS

6. The meeting was opened by **H.E. Mr. CHEN Xinhua, Vice Minister, Ministry of Foreign Trade and Economic Cooperation, People's Republic of China.** On behalf of the Government of the People's Republic of China, he welcomed all the participants in the meeting. He said that his Government paid special attention to transit transport between China and Mongolia, as well as between China and the Russian Federation. The Government of China had already signed several bilateral agreements related to transit transport cooperation with its neighbouring countries. He emphasized the importance of efficient transit transport systems in improving the well-being of the peoples in landlocked and transit countries and their socio-economic development. He pointed out that the existing trilateral cooperative arrangements between China, Mongolia and the Russian Federation aimed at improving the efficiency of the transit

transport systems through standardization and harmonization. The Government of China was prepared to make an effort to ensure that the negotiated agreement reflected principles that were mutually beneficial, well balanced and acceptable to all three parties. He paid special tribute to Mongolia and the Russian Federation, as well as to the UNCTAD secretariat and UNDP, for their contribution to the substantive, financial and organizational preparations for this important meeting.

7. The **representative of Mongolia** expressed appreciation to the Government of the People's Republic of China for hosting the second negotiating meeting, held in Tianjin, an important port city in North-East Asia. The Government of Mongolia attached a great deal of importance to the conclusion of the Transit Traffic Framework Agreement. He recalled that during the first negotiating meeting on the draft Transit Traffic Framework Agreement the contracting parties had discussed the document on an ad referendum basis. He said that the Mongolian delegation would propose that wording included in the first draft of the Transit Traffic Framework Agreement be reinstated. One of the main purposes of the latter was to assist Mongolia – a landlocked developing country – in its efforts to further improve stable transit transport systems. He therefore, appealed to the other parties to take into account the specific nature of the difficulties faced by Mongolia as a landlocked developing country.

8. The **representative of the Russian Federation** expressed appreciation to the Government of the People's Republic of China for hosting the meeting in Tianjin, which was not only a city with a great history but also a centre of industrial development and port services. He said that his Government attached great importance to transit transport cooperation between China, Mongolia and the Russian Federation. In this context, he recalled the outcome of the recent summit between Mongolia and the Russian Federation as well as the meeting of the Sino-Russian subcommittee on transport cooperation. The Russian Federation shared the concerns of landlocked developing countries and supported their efforts to establish stable transit transport systems linking them to other countries and continents through its transit neighbours. Because of its unique geographical location and transport infrastructure, the Russian Federation served as an important bridge linking the Asia-Pacific region with Europe. He expressed the hope that the Transit Traffic Framework Agreement would be an important step towards integration of the transit transport systems in North-East Asia. He invited China and Mongolia to further develop their cooperation in order to better utilize the Trans-Siberian Railway. He expressed his delegation's gratitude to the UNCTAD secretariat for its initiative in coordinating the negotiation of the draft Transit Transport Framework Agreement. With regard to the latter, he said that the Russian delegation would introduce amendments to make it more concise and simple.

9. In his statement, the **Chief of the Landlocked and Small Island Developing Countries Unit, Office of the Special Coordinator for the Least Developed, Landlocked and Island Developing Countries, UNCTAD**, conveyed to participants the best wishes of Mr. Rubens Ricupero, Secretary-General of UNCTAD, for the success of the Second Negotiating Meeting on the Draft Transit Traffic Framework Agreement. He said that the

Secretary-General attached great importance to these negotiations, which he believed would establish an enabling environment for efficient, predictable and cost-effective transit transport services in the North-East Asia subregion. Efficient transit transport services, in terms of speed, predictability and flexibility, had become a critical factor in winning and maintaining external markets. The initiative which the three Governments had taken to create an appropriate framework for the expeditious movement of transit traffic ought therefore to be seen as an important element of their overall strategy designed to enhance their foreign trade opportunities and competitivity. He expressed his appreciation to the Government of the People's Republic of China for agreeing to host the meeting. He believed that this gesture attested not only to the importance which the Government attached to the meeting but also to the desire to achieve the ultimate objective, which was the conclusion and adoption of a Transit Traffic Framework Agreement in this subregion. Furthermore, he extended his personal gratitude and that of UNCTAD to UNDP for all the support it had given – financial, logistical and other – which had facilitated the preparations for the meeting. Both the Special Unit for Technical Cooperation among Developing Countries (TCDC) in New York and the Resident Representatives in the three capitals – Beijing, Moscow and Ulaanbaatar – had shown their personal interest in and commitment to the success of these ongoing negotiations. He assured the meeting that UNCTAD would spare no effort to provide it with technical and logistical support to facilitate its work.

10. The **Resident Representative, a.i., of UNDP, People's Republic of China**, said that the basic development disadvantages of landlocked developing countries had long been recognized by the United Nations General Assembly. In particular, in its resolution 54/199 it had recognized that the lack of territorial access to the sea imposed serious constraints on the overall social and economic development efforts of those countries. This was aggravated by the fact that such countries were remote and isolated from world markets and faced prohibitive risks and costs inherent in transit transport. Their transit neighbours in most cases were themselves developing countries that lacked adequate capacities to develop adequate efficient transit transport systems.

11. High transit transport costs and unacceptable long delays were both a symptom and a result of negative factors, namely physical infrastructure bottlenecks and non-physical barriers. These were in fact two sides of the same coin; therefore, improving the efficiency of transit systems required action at the national, subregional and international levels.

12. Pursuant to resolution 54/199, UNDP had been supporting landlocked and transit developing countries in their effort to develop subregional cooperative arrangements aimed at establishing efficient transit transport systems. He recalled that UNDP's Special Unit for Technical Cooperation among Developing Countries (TCDC) had provided financial assistance in organizing, in 1977, the first-ever specific consultative meeting of the landlocked and transit countries of the subregion to identify priority areas at the national, subregional and international levels with a view to improving transit transport systems in the subregion. That meeting had adopted the Ulaanbaatar Memorandum of Understanding, which contained *inter alia* the agreement of the three Governments to have a subregional agreement governing transit transport operations and requested UNCTAD and UNDP to

provide substantive and financial assistance. UNDP, through its Special Unit for TCDC, continued to support that endeavour.

13. UNDP had also been promoting trade and transport facilitation measures among the five North-East Asian countries through the UNDP-supported Tumen River Area Development Programme. Excessively strict and diverse border-crossing procedures in the Tumen/North-East Asian region had been criticized by the business community and donor agencies as a major impediment to trade and economic exchanges between the countries. The suggestion by the Tumen secretariat of the Agreement on Facilitation of Cross-Border Transport of Goods and People was designed to help countries harmonize their national rules and regulations among themselves, and then streamline them in accordance with the best international practices.

14. He noted that China was the most important transit country in the world, and provided transit transport services for almost all landlocked developing countries in Central, North-East and South-East Asia. In recent years, the Government of China had paid greater attention to improving the quality of its transit services. As a result, transit times and costs of transportation of goods through the territory of China destined for its landlocked neighbours had been declining significantly.

15. The Transit Traffic Framework Agreement between the People's Republic of China, Mongolia and the Russian Federation was expected to be a very important legal document designed to improve transit operations through harmonization and simplification of customs, border-crossing procedures and management. Improved transit transport systems were of major strategic importance to the subregion because they would not only reduce Mongolia's transport costs but also serve as an important factor for further expansion of subregional trade and economic cooperation. In conclusion, he said that UNDP had been encouraging regional and subregional cooperation and was very pleased to be associated with the North-East Asian countries through the support provided to upgrading and integrating transportation networks in the Tumen River Area Development Programme in North-East Asia and the Silk Road Area Development Programme, in which the countries around the traditional Silk Road participated. UNDP was looking forward to increasing the support and involvement of all the countries concerned and the private sector in those regional and country programmes in order to build a solid base for prosperity in each country in that important region.

16. His Excellency Mr. Dagva Tsakhilgaan, Ambassador of Mongolia to the People's Republic of China, attended the opening meeting of the Second Negotiating Meeting on the Draft Transit Traffic Framework Agreement between the Governments of the People's Republic of China, Mongolia and the Russian Federation.

Chapter II

CONSIDERATION OF THE DRAFT TRANSIT TRAFFIC FRAMEWORK AGREEMENT

17. The representatives of the People's Republic of China, Mongolia and the Russian Federation held five meetings to consider the draft Transit Traffic Framework Agreement. The revised draft is contained in document UNCTAD/LDC/Misc.47/Add.2.

Chapter III

FOLLOW-UP ACTION AND EXPRESSIONS OF APPRECIATION

Follow-up action

18. The participants in the Meeting:

(i) Welcomed the generous offer made by the Government of the Russian Federation to host the Third Negotiating Meeting on the Draft Transit Traffic Framework Agreement between the People's Republic of China, Mongolia and the Russian Federation in the Russian Federation, preferably in a town associated with transit trade in North-East Asia. In this regard, the UNCTAD secretariat was requested to hold consultations on the specific date and venue of the meeting;

(ii) Emphasized the importance of organizing frequent consultations on major outstanding issues with a view to facilitating the negotiations on the draft agreement, including consultations among heads of delegations. In this regard, the UNCTAD secretariat was requested to hold consultations with the heads of the negotiating teams of the contracting parties;

(iii) Agreed to consider establishing expert groups to start detailed consultations on the annexes referred to in the draft Transit Traffic Framework Agreement;

(iv) Expressed appreciation to the donor community, including UNDP, for the support provided to the negotiating process and requested it to continue to provide financial support to future negotiations leading to the adoption of a Transit Traffic Framework Agreement between the People's Republic of China, Mongolia and the Russian Federation;

(v) Requested the UNCTAD secretariat to continue to provide financial and organizational support to the negotiations, including the preparation of annexes referred to in the draft agreement;

(vi) Requested the UNCTAD secretariat to finalize the draft report of the second negotiating meeting and the revised text of the draft agreement under the authority of the Chairman of the meeting, and to circulate these drafts to participating Governments in due course.

Expressions of appreciation

19. Participants expressed their appreciation for the financial support provided by UNDP's Special Unit for Technical Cooperation among Developing Countries, which had contributed to the successful preparation of the meeting. They also expressed appreciation to the UNCTAD secretariat for its substantive and organizational support during the negotiations. In addition, they conveyed their deep gratitude to the people and Government of the People's Republic of China for the warm reception and the hospitality extended to them during the meeting, as well as for the excellent organization of the meeting.

20. At the closing meeting, on 18 January 2000, the **Chairman** commended the cooperative spirit in which the deliberations had been carried out. He said that significant progress had been made, and he looked forward to continuing the momentum and achieving greater progress at the next meeting. The representative of the Russian Federation conveyed his Government's offer to host the Third Negotiating Meeting on the Draft Transit Traffic Framework Agreement.

Chapter IV

ORGANIZATIONAL MATTERS

A. Election of the Bureau

(Agenda item 1)

21. At its first meeting, on 16 January 2001, the Meeting elected the following officers to serve on its Bureau:

Chairman:	Mr. Wang Xinggen (China)
Vice-Chairman-Rapporteur:	Mr. Gonchig Seseer (Mongolia)
Vice-Chairman:	Mr. Andrey Smorodin (Russian Federation)

B. Adoption of the agenda and organization of work

(Agenda item 2)

22. At the same meeting, the Meeting adopted the provisional agenda contained in document UNCTAD/LDC/Misc.60 as follows:

1. Election of the Bureau

2. Adoption of the agenda and organization of work

3. Negotiation of the draft Transit Traffic Framework Agreement between the People's Republic of China, Mongolia and the Russian Federation

4. Other matters

5. Adoption of the report of the Second Negotiating Meeting on the Draft Transit Traffic Framework Agreement between the People's Republic of China, Mongolia and the Russian Federation

C. Adoption of the report of the Meeting

23. At its closing meeting, on 18 January 2001, the Meeting adopted its report, which is contained in document UNCTAD/LDC/Misc.61. The document also contains decisions regarding follow-up action. The draft Transit Traffic Framework Agreement between the People's Republic of China, Mongolia and the Russian Federation is contained in document UNCTAD/LDC/Misc.47/Add.2.

Annex I

LIST OF PARTICIPANTS

People's Republic of China

1. Mr. WANG Xinggen	**Head of delegation,** Deputy Director-General Department of International Trade and Economic Affairs (DITEA), Ministry of Foreign Trade and Economic Cooperation (MOFTEC)
2. Mr. SHANG Ming	**Deputy head of delegation,** Deputy Director-General Department of Treaty and Law, MOFTEC
3. Mr. ZHANG Dehua	Senior official, MOFTEC
4. Mr. MA Hongying	Division Director, Department of International Cooperation, Ministry of Railways
5. Mr. WENG Lei	Division Director, Department of Highways, Ministry of Communication
6. Mr. ZHU Guangyao	Deputy Division Director, DITEA, MOFTEC
7. Mr. SONG Xuejun	Deputy Division Director, Department of Asian Affairs, MOFTEC
8. Mr. LUO Weidong	Deputy Division Director, Department of European Affairs, MOFTEC
9. Mr. YANG Guohua	Deputy Division Director, Department of Treaty and Law, MOFTEC
11. Mr. OUYANG Yujing	Deputy Division Director, Department of Treaty and Law, Ministry of Foreign Affairs
12. Mr. XIE Xiaoyong	Deputy Division Director, Department of East European and Central Asian Affairs, Ministry of Foreign Affairs
13. Mr. WEI Yong	Deputy Division Director, Economic Operations Bureau, State Commission of Economic and Trade
14. Mr. ZHANG Zhiyong	Deputy Division Director, Department of Tax Policy, Ministry of Finance
15. Mr. ZHANG Shounian	Deputy Division Director, Department of International Cooperation, Ministry of Communications
16. Mr. SHI Yong	Deputy Division Director, Traffic Administration Bureau, Ministry of Public Security
17. Mr. Li Wei	Deputy Division Director, Department of Goods

	Surveillance, General Customs Administration
18. Mr. FENG Bin	Deputy Division Director, Department for Supervision of Inspection, State Administration for Entry/Exit Inspection and Quarantine
19. Mr. LI Junjie	Adviser, Bureau of Entry/Exit Control, Ministry of Public Security
20. Mr. PENG Guibin	Adviser, Logistic Administration, MOFTEC
21. Mr. LI Yueyin	Adviser, DITEA, MOFTEC

Mongolia

1. Mr. Gonchig Seseer	**Head of delegation,** Acting Director Legal and Consular Department, Ministry of Foreign Affairs
2. Mr. Dalrai Davaasambuu	**Deputy head of delegation**, Counsellor, Department of Russia and China, Ministry of Foreign Affairs
3. Mr. Jalchiv Sereeter	Head, Department of Policy Coordination on Road Transportation, Communications and Tourism, Ministry of Infrastructure Development
4. Mr. Yongdon Batsaikhan	Deputy Director, Mongolian Railways Administration
5. Mr. Delger Bayarsaikhan	Head, Division of Customs Policy and Cooperation, Customs General Administration
6. Mr. Urjinlkhundev Tugsbilguun	Officer, Department of Trade Policy and Cooperation, Ministry of Industry and Trade
7. Mr. Gunaajav Batjargal	Second Secretary, Department of Multilateral Cooperation, Ministry of Foreign Affairs
8. Mr. N. Enkhtaivan	Third Secretary, Embassy of Mongolia in Beijing

Russian Federation

1. Mr. Andrey Smorodin	**Head of delegation**, Deputy Director, Economic Cooperation Department, Ministry of Foreign Affairs
2. Mr. Evgeny Bobrov	**Deputy head of delegation,** Counsellor, Department of Economic Cooperation, Ministry of Foreign Affairs
3. Ms. Tatiana Kovaleva	Deputy Chief of Division, Ministry of Transport
4. Mr. Boris Sitkov	Chief of Division, Ministry of Railwa Transport
5. Mr. Alex Sobol	Deputy Head of the Irkutsk

	Region Administration
6. Mr. Siaoupine Lai	Vice-President of the East Siberia Commerce and Industry Chamber
7. Mr. Mikhail Savin	Deputy Director General Association of International Carriers
8. Mr. H. H. Georgievski	Senior Expert, Trade Representative of the Russian Federation in the People's Republic of China

UNCTAD

1. Mr. Ernest Mbuli	Chief, Landlocked and Small Island Developing Countries Unit, Office of the Special Coordinator for LDCs (OSC/LDCs)
2. Mr. Abdalla Abbas	Senior Economic Affairs Officer (OSC/LDCs)
3. Mr. Sandagdorj Erdenebileg	Economic Affairs Officer (OSC/LDCs)
4. Ms. Naty Villanueva	Secretary (OSC/LDCs)

UNDP, Beijing Office

1. Mr. Maleod Nyirongo	Resident Representative, a.i.
2. Ms. DU Yuexin	Assistant Resident Representative
3. Mr. Tsogtsaihan Gombo	Transportation specialist

Annex II

CHECKLIST OF DOCUMENTS

1.	UNCTAD/LDC/Misc.47/Add.1	Draft Transit Traffic Framework Agreement
2.	UNCTAD/LDC/Misc.60	Provisional agenda
3.	UNCTAD/LDC/Misc.51	Report of the First Negotiating Meeting on the Transit Traffic Framework Agreement between the People's Republic of China, Mongolia and the Russian Federation
4.	A/55/320	Report of the Secretary-General of UNCTAD on the Transit Environment in the Landlocked States in Central Asia and Their Transit Developing Neighbours